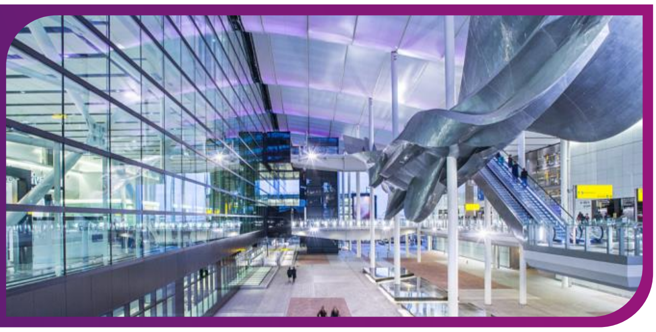
HEATHROW (SP) LIMITED

RESULTS FOR THE 9 MONTHS
ENDED 30 SEPTEMBER 2024



Call on Autumn Budget to set aviation up for success – Coordinated Government policymaking on the financial policies affecting aviation will help maximise the country's growth ambitions, building on the 100,000s of jobs and £186 billion of trade already supported by Heathrow exports. Continuing to back British SAF through a revenue certainty mechanism and reforming the regulatory system to promote investment while keeping passengers at the heart of decisions will help deliver on the Government's 'economic growth' and 'clean energy superpower' missions.

A summer of sport and music attracted millions to the UK – Consecutive record-breaking weeks and strong operational performance characterised the summer months. From June to September, 30.7 million passengers passed through Heathrow, bringing the total for the first nine months to 63.1 million. While Olympic travellers were taking advantage of European city breaks, iconic music stars passing through the UK caused a late summer spike in departures. Heathrow experienced both the busiest departures and busiest arrivals day in the airport's history on 24 July and 2 September, respectively. To reflect the sustained record-breaking passenger numbers, the 2024 forecast has been increased to 83.8 million.

An efficient operation turning a profit – In the first nine months, we made a £350 million adjusted profit before tax. Heathrow's continually growing passenger base, strong credit ratings and robust liquidity put us on a sure-footing for the future and deliver confidence to investors. We expect to invest over £1 billion into the UK's hub this year alone and we are seeing high passenger satisfaction scores. No dividends are currently forecast for 2024, although it is probable subject to financial performance.

Showcasing the best of British through the World of Opportunity – Recognising the platform that trading through the most connected airport in the world provides to British SMEs, Heathrow's World of Opportunity competition has returned. SMEs across every nation and region of the UK are being offered the opportunity to boost their exporting potential. Grants to fund trade missions and expand international customer base are up for grabs.

At or for nine months ended 30 September	2024	2023	Change (%)
(£m unless otherwise stated)			
Revenue	2,650	2,739	(3.2)
Adjusted EBITDA[1]	1,536	1,701	(9.7)
Cash generated from operations	1,510	1,540	(1.9)
Profit before tax	696	618	12.6
Adjusted profit/(loss) before tax[2]	350	(19)	-
Heathrow (SP) Limited consolidated nominal net debt[3]	14,633	14,795	(1.1)
Heathrow Finance plc consolidated nominal net debt[3]	16,569	16,806	(1.4)
Regulatory Asset Base[4]	20,266	19,804	2.3
Passengers (million)[5]	63.1	59.4	6.2

"This summer has tested our colleagues, infrastructure and airlines to cooperate harder than ever before, with record numbers of passengers travelling through the busiest two runway airport in the world. We have risen to this challenge, delivering excellent service with over 91% of passengers waiting at security for less than 5 minutes. Looking forwards, the Autumn Budget is a prime opportunity to set the aviation industry up for long term success. Backing British SAF through a revenue certainty mechanism and committing to joined up policy making that makes sense for aviation will supercharge Heathrow's potential to deliver growth and investment for the whole of the country."

Thomas Woldbye | Heathrow CEO

Heathrow
Making every journey better

NOTES

(1) EBITDA for the nine months ended 30 September 2024: £1,674 million (30 September 2023: £1,899 million) is profit before interest, taxation, depreciation and amortisation. Adjusted EBITDA is profit before interest, taxation, depreciation, amortisation and fair value gains and losses on investment properties.
(2) Adjusted profit/(loss) before tax excludes non-cash fair value gains and losses on investment properties and financial instruments.
(3) Consolidated nominal net debt is short and long-term debt less cash and cash equivalents and term deposits, it includes index-linked swap accretion and the hedging impact of cross currency interest rate swaps. It excludes pre-existing lease liabilities recognised upon transition to IFRS 16, accrued interest, bond issue costs and intra-group loans. 2023 figures are as at 31 December 2023.
(4) The Regulatory Asset Base ('RAB') is a regulatory construct, based on predetermined principles not based on IFRS. It effectively represents the invested capital uplifted by inflation on which we are authorised to earn a cash return. 2023 figures are as at 31 December 2023.
(5) Changes in passengers are calculated using unrounded passenger numbers.

Heathrow (SP) Limited is the holding company of a group of companies that fully own Heathrow airport and together with its subsidiaries is referred to as the Group. Heathrow Finance plc, also referred to as Heathrow Finance, is the parent company of Heathrow (SP) Limited.

Creditors and credit analysts conference call hosted by
Sally Ding, CFO and Christelle Lubin, Interim Director of Business Planning & Treasury.

Wednesday October 23rd, 2024

3.00pm (UK time), 4.00pm (Central European Time), 10.00am (Eastern Standard Time)

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Webcast Audience URL:
https://onlinexperiences.com/Launch/QReg/ShowUUID=E57B4DD0-2342-4EA4-9798-81334FA98536
This link gives participants access to the live event.

Audio Conference Call Access:
https://emportal.ink/3IafRrj
This link allows participants to register to obtain their personal audio conference call details.

BUSINESS UPDATE

In assessing our performance for the nine months ended 30 September 2024, we have outlined key performance metrics that illustrate our progress. The glossary section of this report provides detailed definitions for each indicator.

Passenger traffic

(Millions) (1)	2024	2023	Var % (2)
UK	3.5	3.1	12.9
Europe	25.5	23.7	7.6
North America	15.6	15.1	3.3
Asia Pacific	8.1	7.3	11.0
Middle East	6.3	5.9	6.8
Africa	2.5	2.7	(7.4)
Latin America	1.6	1.6	0.0
Total passengers	**63.1**	**59.4**	**6.2**

(1) For the nine months ended 30 September
(2) Calculated using rounded passenger figures

Other traffic performance indicators (1)	2024	2023	Var % (2)
Passenger ATM	354,097	335,702	5.5
Load factors (%)	80.7	80.0	0.9
Seats per ATM	220.6	221.0	(0.2)
Cargo tonnage ('000) (3)	1,153	1,024	12.6

(1) For the nine months ended 30 September
(2) Calculated using rounded passenger figures
(3) Cargo tonnage includes mail volumes

In the nine months to 30 September 2024, we saw higher passenger volumes compared to 2023, driven by an increase in passenger ATMs and small load factor increases. Almost all markets exceeded 2023's numbers, with double-digit growth for the UK and Asia Pacific regions. Africa saw fewer passengers travelling to Algeria, Kenya and South Africa. Summer 2024 was our busiest ever, with record-breaking months in June, July, August and September. Between June and September, over 30 million passengers flew through Heathrow. Madrid, Los Angeles, Amsterdam, Frankfurt, and Delhi are the latest joiners to the "millionaire club" – routes with over a million passengers travelling from Heathrow– joining Doha, Dublin, Dubai and New York.

Service and operational performance

Service standard performance indicators (1)	2024	2023
ASQ	3.99	3.99
Arrival punctuality %	66.8	67.5
Departure punctuality %	67.8	62.1
Security performance %	91.9	90.7
Baggage connection %	98.3	98.1

(1) For the nine months ended 30 September

During the first nine months of 2024, we achieved an overall ASQ rating of 3.99 out of 5.00, in line with the same period last year, while accommodating higher passenger numbers. Overall, 75% of passengers rated their Overall Satisfaction with Heathrow as either 'Excellent' or 'Very Good'. This shows a small year-on-year improvement (9M 2023: 74%). The proportion of 'Poor' ratings remained low at only 1%.

Improvements for the first nine months of 2024 compared to the same period last year remained evident for many attributes, particularly 'Wi-Fi Service Quality', 'Availability of Water Filling Stations', 'Check-in Waiting Time' and 'Ease of Making Connections with other Flights'.

Operationally, we saw a strong performance during our busiest summer ever recorded. Security performance has been very good, with 91.9% of direct passengers passing through security within 5 minutes. Better operational performance across the airfield has seen improved aircraft turnarounds, resulting in departure punctuality outperforming arrivals. However, overall punctuality continues to be impacted by airspace closures and weather. Baggage performance remains stable.

Capital expenditure

During the first nine months of 2024, £795 million (2023: £461 million) of capital expenditure was incurred. This included £127 million for the acquisition of a building, as well as £60 million in capital creditors movements (2023: £43 million). The total investment expected for 2024, will be over £1 billion, further details will be provided in our December Investor Report.

We continue to deliver our H7 Capital Plan, comprising over 450 projects across six programmes. Our next-generation Security Programme is progressing well. Terminal designs have been completed, and new lanes are operational in all terminals and across Heathrow; the roll out continues at pace. Training for 4,000 Security and Engineering colleagues is underway. In the T2 Baggage Programme, the new system design is ongoing with an alliance of five multidisciplinary partners. The Commercial Revenue Programme has seen an investment of £48 million across commercial propositions in retail, digital and surface access, with new media screens installed in terminals and further developments in our retail estate, including a new Harrods store in T3. In the Carbon and Sustainability Programme, the roll-out of electric vehicle (EV) chargers continues with stations for airlines and colleagues now live airside in T2 and T3, along with plans for the new carbon-efficient pre-conditioned air units for aircraft stands. In the Asset Management and Compliance Programme, we are making good progress on the current portfolio, with the resurfacing of the Southern runway now completed and safety systems in the cargo tunnel now installed. Finally, the mobilisation of the Efficient Airport Programme has begun, with 75% of programme now live delivering projects to drive punctuality, service and operational efficiency across the airport, including 80 new screens installed in T5 to show live updates on airfield activities, making ground operations (ramp) management more efficient.

Key regulatory developments

In August, the CAA published a revised timetable for H8 and initial guidance on the constructive engagement (CE) process. The timetable keeps with the original start date for the H8 period as 2027, but the CAA has now proposed to condense the process around one single Heathrow business plan, and multiple rounds of CE, both pre and post our business plan submission.

- October 2024: CAA draft method statement on H8, including business plan guidance
- June 2025: Single H8 Business Plan submission from Heathrow
- December 2025: CAA's Initial Proposals
- July 2026: CAA's Final Proposals
- November 2026: CAA's Final Decision
- January 2027: H8 Price Control Period Begins

Heathrow has aligned its approach with the CAA's new timetable, and discussions with airlines to implement CE are underway. The CAA will publish a final position on the overall timetable and CE process in October.

Long-term growth and capacity developments

We are conducting an internal review of the work we have carried out previously and the different circumstances we find the aviation industry in. This will enable us to progress with appropriate recommendations to create capacity at Heathrow Airport. The Government's ANPS continues to provide policy support for our plans for a third runway and the related infrastructure required to support an expanded airport.

People and planet

The new Government has sent a strong signal of intent on Sustainable Aviation Fuel (SAF), with the SAF mandate secondary legislation passed in September and the Revenue Certainty Mechanism included in the King's Speech. With industry partners, we continue to press the Government on the need for rapid progress on the latter to attract investment to the UK.

In October, we launched our electric ground service equipment (e-GSE) strategy with Team Heathrow companies. We are focusing on utilising the available power at each stand as well as a look ahead at our longer-term approach for future technologies. We also shared our first proposal for a future airside Ultra Low Emission Zone (ULEZ) strategy built around our current zero emission vehicle infrastructure plans. A recommended policy is due by Q1 2025.

In Q3, we outperformed our Hydrotreated Vegetable Oil (HVO) target - this is driven by biofuel consumption across British Airways fleet and additional growth across the rest of Team Heathrow.

During the third quarter, the Heathrow Employment and Skills Academy launched a new Level 3 aviation course in partnership with Harrow, Richmond & Uxbridge Colleges (HRUC), aimed at inspiring the next generation of aviation talent. Additionally, a new collaboration with Ethos Farm kicked off a series of work experience insight days, offering young people with disabilities the chance to gain hands-on customer service experience in the terminals.

Finally, in the community space, Heathrow Community Rangers, with 71 volunteers, completed projects at partner schools, including a sensory garden at Pippins Primary and playground improvements at Heathrow Primary and Harmondsworth Primary. The Heathrow Community Take-Off Fund provided support for numerous projects, including workbenches for William Byrd Primary and a community event for Harmondsworth Village. Additionally, 57 colleagues contributed over 130 volunteer hours through the Heathrow World of Work initiative.

Key management changes

We are pleased to announce that in October, Sally Ding was appointed to the permanent position of Chief Financial Officer (CFO). Sally has been our Acting CFO since April. She joined Heathrow in 2006 and has played a key role in establishing and strengthening our financing platform. In the last six years, Sally has built robust global financial partnerships, delivered pioneering fundings, led us through Covid and executed complex business plans.

Paula Stannett, Chief People Officer, left Heathrow at the end of August. A process to appoint a new Chief People Officer is underway.

Ultimate shareholder update

On 28 November 2023, Ferrovial announced that an agreement had been reached for the sale of its entire stake (c.25%) in FGP Topco Limited, the parent company of Heathrow Airport Holdings Limited, for £2,368 million. The agreement had been reached with two different buyers, Ardian and The Public Investment Fund (PIF), who would acquire Ferrovial's shareholding in c.15% and c.10% stakes, respectively, through separate vehicles. On 16 January 2024, Ferrovial announced that, pursuant to the FGP Topco Shareholders Agreement, certain other FGP Topco shareholders had exercised their tag-along rights, which resulted in 60% of the total issued share capital of FGP Topco being available for sale.

On 14 June 2024, Ferrovial announced that Ardian and PIF had made a revised offer to acquire shares representing 37.62% of the share capital of FGP Topco for £3,259 million. The offer has been accepted by Ferrovial and certain Tagging Shareholders, and, as a result, an agreement has been entered into pursuant to which Ferrovial and certain Tagging Shareholders will sell a pro rata portion of their shares in FGP Topco such that Ferrovial will remain as a shareholder with shares representing 5.25% of the issued share capital of FGP Topco. Following the sale, Ferrovial and the Tagging Shareholders selling at the same time as Ferrovial will, together, hold shares representing 10% of the issued share capital of FGP Topco. Ardian and PIF will hold shares representing c.22.6% and c.15.0%, respectively, through separate vehicles.

On 26 July 2024, Ferrovial announced that following the expiry of the period to exercise the tag-along and pre-emption rights, no FGP Topco shareholder had exercised either its tag-along or pre-emption rights. The Transaction remains subject to applicable regulatory approvals and, consequently, there remains no certainty that the Transaction will complete.

While we acknowledge the existence of a change of control clause in the bonds issued by Heathrow Finance plc. and the continuing nature of the negotiations, we are not at this time privy to any information that would lead us to believe that the change of control clause would be triggered.

FINANCIAL REVIEW

Basis of presentation of financial results

Heathrow (SP) Limited 'Heathrow SP' is the holding company of a group of companies (the 'Group'), which includes Heathrow Airport Limited ('HAL'), which owns and operates Heathrow Airport, and Heathrow Express Operating Company Limited ('Hex Opco') which operates the Heathrow Express rail service. Heathrow SP's consolidated Financial Statements are prepared in accordance with UK adopted international accounting standards. The financial information presented within these financial statements has been prepared on a going concern basis. More detail can be found in the going concern statement on page 14.

Alternative performance measures

Management uses Alternative Performance Measures ('APMs') to monitor performance of the segments as it believes this more appropriately reflects the underlying financial performance of the Group's operations. These remain consistent with those included and defined in the Annual Report and Financial Statements for the year ended 31 December 2023.

Summary performance

Nine months ended 30 September	2024 £m	2023 £m
Revenue	2,650	2,739
Adjusted operating costs(1)	(1,114)	(1,038)
Adjusted EBITDA(2)	**1,536**	**1,701**
Depreciation and amortisation	(503)	(555)
Adjusted operating profit(3)	**1,033**	**1,146**
Net finance costs before certain re-measurements	(683)	(1,165)
Adjusted profit/(loss) before tax(4)	**350**	**(19)**
Tax (charge)/credit on profit/(loss) before certain re-measurements	(114)	1
Adjusted profit/(loss) after tax(4)	**236**	**(18)**
Including certain re-measurements(5):		
Fair value gain on investment properties	138	198
Fair value gain on financial instruments	208	439
Tax charge on certain re-measurements	(86)	(159)
Profit after tax	**496**	**460**

(1) Adjusted operating costs exclude depreciation, amortisation and fair value gains and losses on investment properties.
(2) Adjusted EBITDA is profit before interest, taxation, depreciation, amortisation and fair value gains and losses on investment properties.
(3) Adjusted operating profit excludes fair value gains and losses on investment properties.
(4) Adjusted profit/(loss) before and after tax excludes fair value gains and losses on investment properties and financial instruments and the associated tax impact of these.
(5) Certain re-measurements consist of: fair value gains and losses on investment property revaluations, gains and losses arising on the re-measurement of financial instruments, together with the associated fair value gains and losses on any underlying hedged items that are part of a cash flow, fair value and economic hedging relationship and the associated tax impact on these.

Revenue

Nine months ended 30 September	2024 £m	2023 £m	Var. %
Aeronautical	1,670	1,839	(9.2)
Retail	572	514	11.3
Other	408	386	5.7
Total revenue	**2,650**	**2,739**	**(3.2)**

Aeronautical revenue has decreased, driven by lower H7 charges set by the CAA, partially offset by higher passenger numbers. Retail income, which includes retail concessions and car parking, has increased, driven by higher departing passengers. Other revenue has increased due to higher other regulated charges (ORCs), mainly from prior year under recovery, offset by lower surface access revenue (maturity of Elizabeth Line). More details can be found on page 16.

Adjusted operating costs

Nine months ended 30 September	2024 £m	2023 £m	Var. %
Employment	347	305	13.8
Operational	321	296	8.4
Maintenance	172	163	5.5
Rates	87	85	2.4
Utilities and Other	187	189	(1.1)
Adjusted operating costs	**1,114**	**1,038**	**7.3**

Employment costs, which include overtime, recruitment and training, have increased due to additional colleagues needed to accommodate the higher demand. The rise in operational and maintenance is mainly due to higher levels of passengers requiring support (PRS) resourcing, cleaning and maintenance. Finally, tight cost controls and stable energy prices have resulted in slightly lower utilities and other costs.

Net finance costs

In the nine months ended 30 September 2024, net finance costs before certain re-measurements decreased to £683 million (nine months ended 30 September 2023: £1,165 million). This has been driven by a significant decrease in the RPI annual growth rate from 11.3% to 3.5%, resulting in a lower inflation accretion expense.

Fair value gain on financial instruments

A non-cash fair value gain on financial instruments of £208 million (nine months ended 30 September 2023: £439 million) was largely driven by a reduction in index-linked swap liabilities and other derivatives compared to the prior year. The liability is measured with reference to market expectations of inflation and interest rates. The inflation forward curve is broadly flat with an average 1bps decrease through the 1-to-20-year period, and the interest rates curve increased by an average of 20bps in the year.

Taxation

The total tax charge for the nine months ended 30 September 2024 was £200 million (nine months ended 30 September 2023: £158 million) on a profit before tax of £696 million (nine months ended 30 September 2023: £618 million).

The tax charge before certain re-measurements was £114 million (nine months ended 30 September 2023: £1 million tax credit). Based on a profit before tax and certain re-measurements of £350 million (nine months ended 30 September 2023: £19 million loss), this results in an effective tax rate of 32.6% (nine months ended 30 September 2023: 5.3%). This represents the best estimate of the annual effective tax rate expected for the full year, applied to the pre-tax profit before certain re-measurements for the nine months. The tax charge is higher than the statutory rate of 25% (nine months ended 30 September 2023: rate of tax credit was lower than the statutory rate of 23.5%) primarily due to the impact of non-deductible depreciation, increasing the tax charge for the year (nine months ended 30 September 2023: non-deductible expenses reducing the tax credit for the year offset by the deferred tax movements at the 25% tax rate).

In addition, for the nine months ended 30 September 2024, a deferred tax charge of £86 million (nine months ended 30 September 2023: £159 million) was recognised on certain re-measurements arising from fair value gains on financial instruments and investment properties of £346 million (nine months ended 30 September 2023: £637 million). In the period, the Group paid £40 million of Corporation tax (nine months ended 30 September 2023: £1 million).

Restricted payments

In the nine months ended 30 September 2024, total restricted payments (gross and net) made by Heathrow SP amounted to £137 million (2023: £200 million). This funded scheduled interest payments on debt at Heathrow Finance. No payments to ultimate shareholders were made during the period.

Recent financing activity

In the first nine months of 2024, we successfully issued a £350 million, 8-year, Class B sustainability-linked bond (SLB). It was our debut GBP SLB and the first SLB in the Sterling market to include all scopes of emissions. We also issued a £400 million, 7-year Holdco bond at Heathrow Finance, the largest transaction that Heathrow Finance has ever completed. We also priced £100 million in new Class A debt and £100 million in new Class B through the private placement market in May, which includes our first use of proceeds green issuance, with maturities in 2039 and 2054, and proceeds were received in August. These transactions complement our robust liquidity position and add additional diversification.

Redemptions in the first nine months of 2024 comprised the repayment of a Class B bond of £600 million in February, a Heathrow Finance bond of £300 million in March, a Class A bond of CHF400 million in May and a Heathrow Finance loan of £75 million in August.

In the first nine months of 2024, we made early paydowns of accretion on our inflation swaps totalling £206 million and executed an additional £32m which will be settled after the period end.

Debt and liquidity at Heathrow (SP) Limited

As at 30 September	2024 £m	2023 [(1)] £m
Consolidated nominal gross debt	**16,444**	**16,691**
Bond issuances	13,685	14,155
Other term debt	1,865	1,665
Index-linked derivative accretion	795	807
Lease liabilities[(2)]	99	64
Qualifying cash and cash equivalents and term deposits	(1,811)	(1,896)
Consolidated nominal net debt	**14,633**	**14,795**
Senior net debt	12,571	12,607
Junior net debt	2,062	2,188

(1) 2023 figures are as at 31 December 2023.
(2) Lease liabilities relating to leases that existed at the point of transition to IFRS 16 (1 January 2019) are excluded from Consolidated nominal net debt. All new leases entered into post-transition are included.

The average cost of Heathrow SP's nominal gross debt at 30 September 2024 was 3.49% (31 December 2023: 3.68%). This includes interest rate, cross-currency and index-linked hedge costs and excludes index-linked accretion. Including index-linked accretion, Heathrow SP's average cost of debt at 30 September 2024 was 6.09% (31 December 2023: 9.11%).

The average life of Heathrow SP's gross debt as at 30 September 2024 was 10.2 years (31 December 2023: 10.2 years).

The Group has sufficient liquidity to meet its forecast needs for the next 24 months. In making this assessment, the Directors have considered both the Heathrow SP Group of companies, as well as the wider Heathrow Finance plc group of companies (the "Heathrow Finance Group"). This includes operating cashflows under the base case business plan and capital investment, debt service costs, debt maturities and repayments. This liquidity position considers £2,264 million in cash resources across the Heathrow Finance Group, as well as undrawn revolving credit facilities of £1,386 million.

Debt at Heathrow Finance plc

As at 30 September	2024 £m	2023 [(1)] £m
Heathrow SP's nominal net debt	14,633	14,795
Heathrow Finance's nominal gross debt	2,389	2,364
Heathrow Finance's qualifying cash and cash equivalents and term deposits	(453)	(353)
Consolidated nominal net debt	**16,569**	**16,806**

(1) 2023 figures are as at 31 December 2023.

Financial ratios

At 30 September 2024, Heathrow SP and Heathrow Finance continue to operate within required financial ratios. Gearing ratios and interest coverage ratios are defined within the Glossary.

As at 30 September	2024 £m	2023 [(1)] £m
Heathrow's RAB	**20,266**	**19,804**
Regulatory asset ratio 'RAR'		
Heathrow SP's senior (Class A)	62.0%	63.7%
Heathrow SP's (Class B)	72.2%	74.7%
Heathrow Finance's gearing ratio	81.7%	84.9%

(1) 2023 figures are as at 31 December 2023.

Pension scheme

We operate a defined benefit pension scheme (the 'BAA Pension Scheme'), which closed to new members in June 2008. At 30 September 2024, the defined benefit pension scheme, as measured under IAS 19, was funded at 98.9% (31 December 2023: 95.6%). This translated into a deficit of £29 million (31 December 2023: £128 million). The £99 million reduction in the deficit in the nine months is largely due to actuarial gains of £100 million (attributable to a loss on assets offset by a decrease in liabilities due to a 0.50% increase in the discount rate and experience losses reflecting actual inflation in 2024); service costs of £7 million; a finance charge of £5 million; and contributions paid in the year. In the nine months ended 30 September 2024, we contributed £11 million (30 September 2023: £11 million) into the defined benefit pension scheme. No deficit repair contributions have been paid in the nine months (30 September 2023: nil). The Directors believe that the scheme has no significant plan-specific or concentration risks.

Outlook

Following a record-breaking summer, we have revised our 2024 traffic forecast to 83.8 million passengers. We will provide an updated financial forecast for 2024 and 2025 in our next Investor Report, which will be published in December.

Starting in 2025, our financial results will be published semi-annually. A new Trading Statement will replace the Q1 and Q3 financial results.

APPENDIX 2 FINANCIAL INFORMATION HEATHROW (SP) LIMITED

Condensed consolidated income statement for the nine months ended 30 September 2024

		Unaudited Nine months ended 30 September 2024			Unaudited Nine months ended 30 September 2023		
		Before certain re-measurements[1]	Certain re-measurements[2]	Total	Before certain re-measurements[1]	Certain re-measurements[2]	Total
	Note	£m	£m	£m	£m	£m	£m
Revenue	*1*	**2,650**	**-**	**2,650**	2,739	-	2,739
Operating costs[3]	*2*	**(1,617)**	**138**	**(1,479)**	(1,593)	198	(1,395)
Operating profit		**1,033**	**138**	**1,171**	1,146	198	1,344
Financing							
Finance income		**77**	**-**	**77**	54	-	54
Finance costs		**(760)**	**208**	**(552)**	(1,219)	439	(780)
Net finance costs	*3*	**(683)**	**208**	**(475)**	(1,165)	439	(726)
Profit/(loss) before tax		**350**	**346**	**696**	(19)	637	618
Taxation (charge)/credit	*4*	**(114)**	**(86)**	**(200)**	1	(159)	(158)
Profit/(loss) for the period[4]		**236**	**260**	**496**	(18)	478	460

(1) Amounts stated before certain re-measurements are non-GAAP measures.
(2) Certain re-measurements consist of: fair value gains and losses on investment property revaluations, gains and losses arising on the re-measurement of financial instruments, together with the associated fair value gains and losses on any underlying hedged items that are part of a cash flow, fair value and economic hedging relationship and the associated tax impact on these.
(3) Included within operating costs is a £3 million release (nine months ended 30 September 2023: £3 million) of impairment of trade receivables.
(4) Attributable to owners of the parent.

APPENDIX 2 FINANCIAL INFORMATION HEATHROW (SP) LIMITED

Condensed consolidated statement of comprehensive income for the nine months ended 30 September 2024

	Unaudited Nine months ended 30 September 2024 £m	Unaudited Nine months ended 30 September 2023 £m
Profit for the period	**496**	460
Items that will not be subsequently reclassified to the consolidated income statement		
Actuarial (loss)/gain on pensions:		
Loss on plan assets[1]	**(56)**	(167)
Decrease in scheme liabilities[1]	**131**	157
Items that may be subsequently reclassified to the consolidated income statement		
Cash flow hedges:		
Gain/(loss) taken to equity[1]	**54**	(7)
Transfer to finance costs[1]	**13**	8
Impact of cost of hedging		
Gain taken to equity[1]	**(1)**	-
Other comprehensive income/(expense) for the period	**141**	(9)
Total comprehensive income for the period [2]	**637**	451

(1) Items in the statement above are disclosed net of tax.
(2) Attributable to owners of the parent.

APPENDIX 2 FINANCIAL INFORMATION HEATHROW (SP) LIMITED

Condensed consolidated statement of financial position as at 30 September 2024

	Note	Unaudited 30 September 2024 £m	Audited[1] 31 December 2023 £m
Assets			
Non-current assets			
Property, plant and equipment		**10,791**	10,385
Right of use assets		**341**	304
Investment properties		**2,587**	2,449
Intangible assets		**209**	223
Derivative financial instruments		**908**	952
Trade and other receivables		**54**	180
		14,890	14,493
Current assets			
Inventories		**17**	17
Trade and other receivables		**337**	379
Derivative financial instruments		**6**	92
Term deposits		**1,709**	1,750
Cash and cash equivalents		**102**	191
		2,171	2,429
Total assets		**17,061**	16,922
Liabilities			
Non-current liabilities			
Borrowings	*5*	**(17,514)**	(17,512)
Derivative financial instruments		**(1,934)**	(2,010)
Lease liabilities		**(404)**	(371)
Deferred income tax liabilities		**(1,016)**	(818)
Retirement benefit obligations		**(51)**	(151)
Provisions		**(1)**	(1)
Trade and other payables		**(2)**	(1)
		(20,922)	(20,864)
Current liabilities			
Borrowings	*5*	**(612)**	(1,210)
Derivative financial instruments		**(37)**	(27)
Lease liabilities		**(38)**	(32)
Provisions		**(2)**	(2)
Current income tax liabilities		**(30)**	(20)
Trade and other payables		**(482)**	(466)
		(1,201)	(1,757)
Total liabilities		**(22,123)**	(22,621)
Net liabilities		**(5,062)**	(5,699)
Capital and reserves			
Share capital		**11**	11
Share premium		**-**	499
Merger reserve		**(3,758)**	(3,758)
Hedging reserve		**29**	(37)
Accumulated losses		**(1,344)**	(2,414)
Total shareholders' funds		**(5,062)**	(5,699)

(1) This column is labelled audited as the amounts have been extracted from the company's audited financial statements for the year ended 31 December 2023.

APPENDIX 2 FINANCIAL INFORMATION HEATHROW (SP) LIMITED

Condensed consolidated statement of changes in equity for the nine months ended 30 September 2024

	Attributable to owners of the Company					
	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Accumulated losses £m	Total equity £m
Balance as at 1 January 2023	11	499	(3,758)	(35)	(2,917)	(6,200)
Comprehensive income:						
Profit for the period	-	-	-	-	460	460
Other comprehensive income/(expense):						
Fair value gains net of tax on:						
Cash flow hedges	-	-	-	1	-	1
Actuarial (loss)/gain on pension net of tax:						
Loss on plan assets	-	-	-	-	(167)	(167)
Decrease in scheme liabilities	-	-	-	-	157	157
Total comprehensive income	-	-	-	1	450	451
Balance as at 30 September 2023 (unaudited)	11	499	(3,758)	(34)	(2,467)	(5,749)
Balance as at 31 December 2023 (audited)[1]	**11**	**499**	**(3,758)**	**(37)**	**(2,414)**	**(5,699)**
Comprehensive income:						
Profit for the period	**-**	**-**	**-**	**-**	**496**	**496**
Other comprehensive income/(expense):						
Fair value gains/(losses) net of tax on:						
Cash flow hedges	**-**	**-**	**-**	**67**	**-**	**67**
Impact of cost of hedging	**-**	**-**	**-**	**(1)**	**-**	**(1)**
Actuarial (loss)/gain on pension net of tax:						
Loss on plan assets	**-**	**-**	**-**	**-**	**(56)**	**(56)**
Decrease in scheme liabilities	**-**	**-**	**-**	**-**	**131**	**131**
Total comprehensive income	**-**	**-**	**-**	**66**	**571**	**637**
Transaction with owners						
Bonus issue of share capital[2]	**831**	**-**	**-**	**-**	**(831)**	**-**
Capital reduction[2]	**(831)**	**(499)**	**-**	**-**	**1,330**	**-**
Total transaction with owners	**-**	**(499)**	**-**	**-**	**499**	**-**
Balance as at 30 September 2024 (unaudited)	**11**	**-**	**(3,758)**	**29**	**(1,344)**	**(5,062)**

(1) This row is labelled audited as the amounts have been extracted from the company's audited financial statements for the year ended 31 December 2023.
(2) Heathrow SP Limited issued bonus shares from the profit and loss reserve on 21 August 2024. On the same day, both the newly created share capital and the existing share premium were used in a capital reduction to create additional profit and loss reserves.

APPENDIX 2 FINANCIAL INFORMATION HEATHROW (SP) LIMITED

Condensed consolidated statement of cash flows for the nine months ended 30 September 2024

	Note	Unaudited Nine months ended 30 September 2024 £m	Unaudited Nine months ended 30 September 2023 £m
Cash flows from operating activities			
Cash generated from operations	6	**1,510**	1,540
Taxation:			
Corporation tax paid		**(40)**	(1)
Net cash generated from operating activities		**1,470**	1,539
Cash flows from investing activities			
Purchase of:			
Property, plant and equipment		**(608)**	(415)
Investment properties		**-**	(3)
Proceeds on disposal of:			
Investment properties		**1**	-
Decrease/(increase) in term deposits [(1)]		**41**	(279)
Interest received		**90**	39
Net cash used in investing activities		**(476)**	(658)
Cash flows from financing activities			
Proceeds from issuance of bonds		**349**	555
Repayment of bonds		**(879)**	(751)
Fees and other financing items		**(3)**	(4)
Issuance of term note		**200**	85
Interest paid to Heathrow Finance plc		**(137)**	(105)
External interest paid[(2)]		**(395)**	(401)
Settlement of accretion on index-linked swaps		**-**	(84)
Early settlement of accretion on index-linked swaps[(3)]		**(206)**	(219)
Inflation swap restructuring[(4)]		**14**	-
Payment of lease liabilities		**(26)**	(32)
Net cash used in financing activities		**(1,083)**	(956)
Net decrease in cash and cash equivalents		**(89)**	(75)
Cash and cash equivalents at beginning of period		**191**	285
Cash and cash equivalents at end of period		**102**	210

(1) Term deposits with an original maturity of over three months are invested by Heathrow Airport Limited and Heathrow Finance plc.

(2) Includes £15 million of lease interest paid (nine months ended 30 September 2023: £13 million). By class, includes £69 million (nine months ended 30 September 2023: £69 million) of interest paid on junior (Class B) debt.

(3) In the nine months ended 30 September 2024 the Group elected to early pay £206 million (nine months ended 30 September 2023: £219 million) of accrued accretion paydowns, which were due to be settled within the next 2 years in line with the liquidity profile assessment of the Group.

(4) The Group restructured two inflation-linked swaps by shortening the maturities from 2035. This resulted in a cash inflow to the Group of £14 million made up of £68 million net future interest and £54 million future accretion.

APPENDIX 2 FINANCIAL INFORMATION HEATHROW (SP) LIMITED

Notes to the condensed consolidated financial statements for the nine months ended 30 September 2024

General information

The Company is the holding company of a group of companies that owns Heathrow Airport ('Heathrow') and operates Heathrow Express ('HEX'), the express rail service between Heathrow and central London. Heathrow (SP) Limited is a limited liability company, limited by shares, incorporated in the UK and registered in England and Wales, and domiciled in the UK. The Company is a private limited company and its registered office is The Compass Centre, Nelson Road, Hounslow, Middlesex, TW6 2GW.

Primary financial statements format

A columnar approach has been adopted in the income statement and the impact of separately disclosed items is shown in separate columns. These columns include 'certain re-measurements' which management separates from the underlying operations of the Group. By isolating certain re-measurements, management believes the underlying results provides the reader with a more meaningful understanding of the performance of the Group, by concentrating on the matters over which it exerts influence, whilst recognising that information on these additional items is available within the financial statements, should the reader wish to refer to them.

The column 'certain re-measurements' in the consolidated income statement contains the following: i. fair value gains and losses on investment property revaluations and disposals; ii. derivative financial instruments and the fair value gains and losses on any underlying hedged items that are part of a fair value hedging relationship; iii. the associated tax impacts of the items in (i) and (ii).

Accounting policies

Basis of preparation

The condensed consolidated interim financial statements cover the nine-month period ended 30 September 2024 and have been prepared in accordance with UK adopted International Accounting Standard 34 'Interim Financial Reporting'. This condensed set of financial statements comprises the unaudited financial information for the nine months ended 30 September 2024 and its comparatives, together with the unaudited consolidated statement of financial position as at 30 September 2024 and the audited consolidated statement of financial position as at 31 December 2023.

The condensed consolidated interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, the financial information should be read in conjunction with the statutory financial statements for the year ended 31 December 2023, which were prepared in accordance with UK adopted international accounting standards and the requirements of Companies Act 2006. The auditors' report on these statutory financial statements was unqualified, did not contain an emphasis of matter and did not contain a statement under section 498 of the Companies Act 2006.

Where financial information in the notes to the condensed interim financial statements, relating to year ended 31 December 2023, is labelled audited, the amounts have been extracted from the Group's audited financial statements for the year ended 31 December 2023.

The Group has applied the IAS 12 exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The condensed interim financial statements for the nine-month period ended 30 September 2024 have been prepared on a basis consistent with that applied in the preparation of the consolidated financial statements for the year ended 31 December 2023, except for the following amendments which apply for the first time in 2024. However, not all are expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

The following new standards and amendments are effective for the period beginning 1 January 2024:

- Supplier Finance Arrangements (Amendments to IAS 7 & IFRS 7);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1); and
- Non-current Liabilities with Covenants (Amendments to IAS 1).

These amendments haven't had any effect on the measurement and disclosures of any items included in the condensed interim financial statements of the Group.

Going concern

The Directors have prepared the financial information presented within these interim consolidated financial statements on a going concern basis as they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Notes to the condensed consolidated financial statements for the nine months ended 30 September 2024

Going concern *continued*

Background

Heathrow is economically regulated by the CAA which controls Heathrow's maximum airport charges. We are currently operating under the H7 price control period, which runs between 1 January 2022 and 31 December 2026. During 2023, the CAA published their Final Decision on H7 tariffs, which was subsequently appealed to and ruled on by the Competition and Markets Authority ("CMA"). In July 2024, the CAA completed its work on the final issues from the Final Decision. The final issues cover both the matters that were remitted back to CAA by the CMA and matters that the CAA were not able to resolve prior to making the Final Decision.

Passenger forecasts are fundamental to the going concern analysis, and the Directors have considered trends in future expected passenger numbers. Throughout 2024, there has been strong passenger demand for travel which gives confidence in our future expected passenger numbers, nevertheless this is against a backdrop of high interest rates and high inflation.

While Heathrow SP operates as an independent securitised group, the Directors have considered the wider Heathrow Group given the corporate structure, which involves cash generation across the Group and within the main operating company, Heathrow Airport Limited.

The wider Heathrow Group is bound by two types of debt covenant, tested on 31 December each year: the Regulatory Asset Ratio ("RAR"), a measure of the ratio of consolidated nominal net debt to the Regulatory Asset Base ("RAB"); and Interest Cover Ratio ("ICR"), a measure of operating cashflows to debt interest charge. These covenants exist at different levels within the Group's Class A and Class B debt. On that basis the Directors have assessed going concern for the period to December 2025.

Base case

In determining an appropriate base case, the Directors have considered the following:

- Forecast revenue and operating cash flows from the underlying operations, based on a 2024 traffic forecast of 83.7 million;
- Forecast level of capital expenditure based on Heathrow's latest business plan; and
- The overall Group liquidity position, including cash resources and committed facilities available to it, and its scheduled debt maturities and financing cash flows.

Base case passenger forecast

There is inherent subjectivity in modelling future passenger numbers, nevertheless, passenger numbers have been strong in 2024 and better than originally expected, with total passengers to 30 September 2024 of 63.0 million (6% increase from 2023). Despite a high-inflationary economic environment impacting the cost-of-living of passengers, demand has remained strong which signals that passengers will continue to prioritise travel spend.

Base case tariffs

The base case uses tariffs as set out in the CAA's Final Decision published in March 2023. The Directors have concluded that the impact of the CAA's final issues decision published in July 2024 is immaterial to the going concern assessment.

Base case cash flow and liquidity

The wider Heathrow Group can raise finance at both Heathrow SP Limited ("Heathrow SP") and Heathrow Finance plc ("Heathrow Finance"). Continued support for the Group's credit enabled Heathrow to successfully raise £950 million of debt in the 9 months to 30 September 2024: a Class B GBP sustainability-linked bond of £350 million, £400 million of Heathrow Finance public debt and a £200 million Class A & B US private placement. As at 30 September 2024, the wider group has total liquidity available of £3.7 billion, comprising of £2.3 billion of cash held at FGP Topco group and a £1.4 billion undrawn revolving credit facility. Total debt maturity for the period to December 2025 is £1.1 billion at Heathrow SP and £0.3 billion at Heathrow Finance.

While deemed unlikely, the Directors have also assumed that the Group would be unable to access debt markets for any new funding. Taking this into account, the Group has sufficient liquidity to meet its base case cash flow needs until at least 31 December 2025, with no breaches of its covenants in that period. This includes forecast operational costs, capital investment, debt service costs, and scheduled debt repayments.

Severe but plausible downside case

The Directors are required to consider severe but plausible downside scenarios as part of the going concern assessment. In considering a severe but plausible downside, the Directors have considered the inherent judgement in forecasting future passenger numbers – particularly in a highly inflationary economic environment impacting the disposable income of passengers – on cash flow generation, liquidity, and debt covenant compliance.

Under the Group's downside scenario, the Directors have considered passenger numbers at the low end of Heathrow's 2024 and 2025 passenger forecast to be a severe but plausible outcome. This considers the Group's views of plausible impacts caused by reduced passenger confidence and other economic factors. The low range of passengers represents a 7.2% reduction against the forecast base case for the remainder of 2024 and 4.5% for 2025. The tariff assumptions remain the same as in the base case. Under the severe but plausible scenario, the Group has sufficient liquidity to meet all forecast cash flow needs until at least December 2025, with no breach of its covenants in that period.

APPENDIX 2 FINANCIAL INFORMATION HEATHROW (SP) LIMITED

Notes to the condensed consolidated financial statements for the nine months ended 30 September 2024

Going concern *continued*

Reverse stress test

In forming their assessment, the Directors deemed it best practice to perform a reverse stress test. This involved modelling the breakeven level of passengers which would result in a covenant breach as at 31 December 2024. The model is based on a reduction in passenger numbers with no impact on costs. The Heathrow Finance plc ICR covenant is the most restrictive to operating performance, and for there to be a breach at this level, forecast passenger numbers would need to decrease by over 27.3 million (33%) versus the base case. An even greater passenger number decrease would be required for the Group to breach its RAR covenants. These passenger levels are below the low end of the Group's passenger forecast and are not considered plausible by the Directors. Should circumstances arise that require Management to take corrective action, many previously utilised tactical actions could be available, including cost reduction, deferral of investment or temporary reprofiling of interest payments.

Conclusion

Having had regard to both liquidity and debt covenants and considering a severe but plausible downside and reverse stress testing, the Directors have concluded that there is sufficient liquidity available to meet the Group and Company's funding requirements for at least 12 months from the date of these interim consolidated financial statements and that it is accordingly appropriate to adopt a going concern basis for their preparation.

Significant accounting judgements and changes in estimates

In applying the Group's accounting policies, Directors have made judgements and estimates in a number of key areas. Actual results may, however, differ from estimates calculated and the Directors believe that the following areas present the greatest level of uncertainty.

Critical judgments in applying the Group's accounting policies

In preparing the nine-month condensed interim financial information, the areas where judgement has been exercised by Directors in applying the Group's accounting policies remain consistent with those applied to the Annual Report and Financial Statements for the year ended 31 December 2023.

Key sources of estimation uncertainty

In preparing the nine-month condensed interim financial information, the key sources of estimation uncertainty remain consistent with those applied to the Annual Report and Financial Statements for the year ended 31 December 2023.

APPENDIX 2 FINANCIAL INFORMATION HEATHROW (SP) LIMITED

Notes to the condensed consolidated financial statements for the nine months ended 30 September 2024

1. SEGMENT INFORMATION

The Group is organised into business units according to the nature of the services provided. Most revenue is derived from the activities carried out within the Airport. The exception to this is Heathrow Express, which is a separately identifiable operating segment under IFRS 8, with separately identifiable assets and liabilities, and hence management aggregates these units into two operating segments, as follows:

- Heathrow Airport (Aeronautical and commercial operations within the Airport and its boundaries).
- Heathrow Express (Rail income from the Heathrow Express rail service between Heathrow and London).

The performance of the above segments is measured on a revenue and Adjusted EBITDA basis. The reportable segments derive their revenues from a number of sources, including aeronautical, retail, other regulated charges and other products and services (including rail income), and this information is also provided to the Board on a monthly basis.

Table (a)	**Unaudited Nine months ended 30 September 2024 £m**	Unaudited Nine months ended 30 September 2023 £m
Segment revenue		
Aeronautical		
Movement charges	**647**	701
Parking charges	**57**	67
Passenger charges	**966**	1,071
Total aeronautical revenue	**1,670**	1,839
Retail		
Retail concessions	**201**	187
Catering	**64**	60
Other retail	**53**	48
Car parking	**139**	127
Other services	**115**	92
Total retail revenue	**572**	514
Other		
Other regulated charges	**214**	179
Property revenue	**19**	21
Property (lease related income)	**91**	87
Other rail income	**16**	25
Heathrow Express	**68**	74
Total other revenue	**408**	386
Total revenue	**2,650**	2,739
Heathrow Airport	***2,582***	*2,665*
Heathrow Express	***68***	*74*
Adjusted EBITDA	**1,536**	1,701
Heathrow Airport	***1,525***	*1,680*
Heathrow Express	***11***	*21*
Reconciliation to statutory information:		
Depreciation and amortisation	**(503)**	(555)
Operating profit (before certain re-measurements)	**1,033**	1,146
Fair value gain on investment properties (certain re-measurements)	**138**	198
Operating profit	**1,171**	1,344
Finance income	**77**	54
Finance costs	**(552)**	(780)
Profit before tax	**696**	618

APPENDIX 2 FINANCIAL INFORMATION HEATHROW (SP) LIMITED

Notes to the condensed consolidated financial statements for the nine months ended 30 September 2024

1. SEGMENT INFORMATION *CONTINUED*

Table (b)	Unaudited Nine months ended 30 September 2024		Unaudited Nine months ended 30 September 2023	
	Depreciation & amortisation[(1)] £m	Fair value gain[(2)] £m	Depreciation & amortisation[(1)] £m	Fair value gain[(2)] £m
Heathrow Airport	(488)	138	(537)	198
Heathrow Express	(15)	-	(18)	-
Total	**(503)**	**138**	(555)	198

(1) Includes intangible asset amortisation charges of £29 million (nine months ended 30 September 2023: £33 million).
(2) Reflects fair value gain and loss on investment properties only.

Table (c)	Unaudited 30 September 2024		Audited[(1)] 31 December 2023	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Heathrow Airport	13,464	(478)	13,095	(464)
Heathrow Express	531	(9)	538	(6)
Total operations	**13,995**	**(487)**	13,633	(470)
Unallocated assets and liabilities:				
Cash, term deposits and external borrowings	1,811	(15,505)	1,941	(16,079)
Retirement benefit assets/(obligations)	-	(51)	-	(151)
Derivative financial instruments	914	(1,971)	1,044	(2,037)
Deferred and current tax assets/(liabilities)	-	(1,046)	-	(838)
Amounts owed to group undertakings	-	(2,621)	-	(2,643)
Right of use asset and lease liabilities	341	(442)	304	(403)
Total	**17,061**	**(22,123)**	16,922	(22,621)

(1) This column is labelled audited as the amounts have been extracted from the company's audited financial statements for the year ended 31 December 2023.

2. OPERATING COSTS

	Unaudited Nine months ended 30 September 2024 £m	Unaudited Nine months ended 30 September 2023 £m
Employment	347	305
Operational[(1)]	321	296
Maintenance	172	163
Business rates	87	85
Utilities	96	101
Other[(2)]	91	88
Operating costs before depreciation, amortisation and certain re-measurements	**1,114**	1,038
Depreciation and amortisation:		
Property, plant and equipment	444	491
Intangible assets	29	33
Right of use assets	30	31
	503	555
Operating costs before certain re-measurements	**1,617**	1,593
Fair value gain on investment properties (certain re-measurements)	(138)	(198)
Total operating costs	**1,479**	1,395

(1) Operational costs consist of expenditure in relation to the standard operations of the airport.
(2) Other operating costs consist of primarily marketing costs and other general expenditure.

APPENDIX 2 FINANCIAL INFORMATION HEATHROW (SP) LIMITED

Notes to the condensed consolidated financial statements for the nine months ended 30 September 2024

3. FINANCING

	Unaudited Nine months ended 30 September 2024 £m	Unaudited Nine months ended 30 September 2023 £m
Finance income		
Interest on deposits	**75**	52
Interest receivable from group undertakings	**2**	2
Total finance income	**77**	54
Finance costs		
Interest on borrowings:		
Bonds and related hedging instruments[1]	**(534)**	(565)
Bank loans, overdrafts and unwind of hedging reserves	**(69)**	(64)
Net interest expense on external derivatives not in hedge relationship[2]	**(91)**	(524)
Facility fees and other charges	**(1)**	(7)
Net pension finance costs	**(5)**	(4)
Interest on debenture payable to Heathrow Finance plc	**(115)**	(120)
Finance costs on lease liabilities	**(15)**	(13)
Total borrowing costs	**(830)**	(1,297)
Less: capitalised borrowing costs[3]	**70**	78
Total finance costs	**(760)**	(1,219)
Net finance costs before certain re-measurements	**(683)**	(1,165)
Certain re-measurements		
Fair value gain/(loss) on financial instruments		
Interest rate swaps: not in hedge relationship	**155**	182
Index-linked swaps: not in hedge relationship	**66**	261
Cross-currency swaps: not in hedge relationship[4, 5]	**3**	(3)
Ineffective portion of cash flow hedges[5]	**(8)**	(4)
Ineffective portion of fair value hedges[5]	**(4)**	3
Foreign exchange contracts	**(4)**	-
	208	439
Net finance costs	**(475)**	(726)

(1) Includes accretion of £58 million for nine months ended 30 September 2024 (nine months ended 30 September 2023: £136 million) on index-linked bonds.
(2) Includes accretion of £202 million for nine months ended 30 September 2024 (nine months ended 30 September 2023: £577 million) on index-linked swaps.
(3) Capitalised interest included in the cost of qualifying assets arose on the general borrowing pool and is calculated by applying an average capitalisation rate of 7.37% (nine months ended 30 September 2023: 11.16%) to expenditure incurred on such assets.
(4) Includes foreign exchange retranslation gain on the currency bonds of £5 million (nine months ended 30 September 2023: £3 million) which has moved systematically in the opposite direction to that of the cross-currency swaps which economically hedge the related currency bonds.
(5) The value of all currency bonds changes systematically in the opposite direction to that of the related cross-currency swaps, in response to movements in underlying exchange rates with a net nil impact in fair value for foreign exchange movement.

APPENDIX 2 FINANCIAL INFORMATION HEATHROW (SP) LIMITED

Notes to the condensed consolidated financial statements for the nine months ended 30 September 2024

4. TAXATION (CHARGE)/CREDIT

	Unaudited Nine months ended 30 September 2024			Unaudited Nine months ended 30 September 2023		
	Before certain re-measurements £m	**Certain re-measurements £m**	**Total £m**	Before certain re-measurements £m	Certain re-measurements £m	Total £m
UK corporation tax:						
Current tax charge at 25% (2023: 23.5%)	**(48)**	**-**	**(48)**	-	-	-
Deferred tax:						
Current year (charge)/credit	**(66)**	**(86)**	**(152)**	1	(159)	(158)
Taxation (charge)/credit	**(114)**	**(86)**	**(200)**	1	(159)	(158)

The total tax charge for the nine-month period ended 30 September 2024 was £200 million (nine months ended 30 September 2023: £158 million) on a profit before tax of £696 million (nine months ended 30 September 2023: £618 million).

The tax charge before certain re-measurements was £114 million (nine months ended 30 September 2023: £1 million tax credit). Based on a profit before tax and certain re-measurements of £350 million (nine months ended 30 September 2023: £19 million loss), this results in an effective tax rate of 32.6% (nine months ended 30 September 2023: 5.3%). This represents the best estimate of the annual effective tax rate expected for the full year, applied to the pre-tax profit before certain re-measurements for the nine-month period. The tax charge is higher than the statutory rate of 25% (nine months ended 30 September 2023: rate of tax credit was lower than the statutory rate of 23.5%) primarily due to the impact of non-deductible depreciation, increasing the tax charge for the year (nine months ended 30 September 2023: non-deductible expenses reducing the tax credit for the year offset by the deferred tax movements at the 25% tax rate).

In addition, for the nine months ended 30 September 2024, a deferred tax charge of £86 million (nine months ended 30 September 2023: £159 million) was recognised on certain re-measurements arising from fair value gains on financial instruments and investment properties of £346 million (nine months ended 30 September 2023: £637 million).

Based on the fair value gains which have arisen on financial instruments and investment properties and the improved trading performance in the nine months to September 2024, Management consider that the conclusion in the interim financial statements for the six months ended 30 June 2024, that the deferred tax assets may be recovered against the unwind of existing deferred tax liabilities and future forecast taxable profits, remains appropriate.

The group applies the exemption under IAS 12 'income taxes' amendment for recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

There are no items which would materially affect the future tax charge.

APPENDIX 2 FINANCIAL INFORMATION HEATHROW (SP) LIMITED

Notes to the condensed consolidated financial statements for the nine months ended 30 September 2024

5. BORROWINGS

	Unaudited 30 September 2024 £m	Audited[1] 31 December 2023 £m
Current		
Secured		
Heathrow Funding Limited bonds:		
7.125% £600 million due 2024	-	600
0.500% CHF400 million due 2024	-	370
3.250% C$500 million due 2025	273	-
Heathrow Airport Limited debt:		
Class A2 term loan due 2025	100	-
Total current (excluding interest payable)	373	970
Interest payable – external	227	182
Interest payable – owed to group undertakings	12	58
Total current	612	1,210
Non-current		
Secured		
Heathrow Funding Limited bonds:		
3.250% C$500 million due 2025	-	287
1.500% €750 million due 2025	623	648
4.221% £155 million due 2026	155	155
0.450% CHF210 million due 2026	184	189
6.750% £700 million due 2026	698	697
1.800% CHF165 million due 2027	146	153
2.650% NOK1,000 million due 2027	67	73
2.694% C$650 million due 2027	358	385
3.400% C$400 million due 2028	220	236
2.625% £350 million due 2028	348	347
7.075% £200 million due 2028	199	199
4.150% A$175 million due 2028	88	90
2.750% £450 million due 2029	446	446
2.500% NOK1,000 million due 2029	61	66
1.500% €750 million due 2030	580	594
3.782% C$400 million due 2030	219	233
1.125% €500 million due 2030	412	429
3.661% C$500 million due 2031	275	295
6.450% £900 million due 2031	869	866
Zero-coupon €50 million due January 2032	70	71
6.000% £350 million sustainability-linked bond due 2032[2]	346	-
1.366%+RPI £75 million due 2032	115	113
Zero-coupon €50 million due April 2032	69	69
1.875% €500 million due 2032	415	432
0.101%+RPI £182 million due 2032	240	234
3.726% C$625 million due 2033	349	375
4.500% €650 million sustainability-linked bond due 2033[2]	567	590
1.875% €650 million due 2034	462	471
4.171% £50 million due 2034	50	50

APPENDIX 2 FINANCIAL INFORMATION HEATHROW (SP) LIMITED

Notes to the condensed consolidated financial statements for the nine months ended 30 September 2024

5. BORROWINGS *CONTINUED*

	Unaudited 30 September 2024 £m	Audited[1] 31 December 2023 £m
Zero-coupon €50 million due 2034	**56**	57
0.347%+RPI £75 million due 2035	**99**	96
0.337%+RPI £75 million due 2036	**100**	97
1.061%+RPI £180 million due 2036	**269**	262
3.460% £105 million due 2038	**105**	105
0.419%+RPI £51 million due 2038	**67**	66
1.382%+RPI £50 million due 2039	**77**	75
Zero-coupon €86 million due 2039	**82**	84
3.334%+RPI £460 million due 2039	**840**	822
0.800% JPY1,000 million due 2039	**46**	49
1.238%+RPI £100 million due 2040	**151**	147
0.362%+RPI £75 million due 2041	**100**	97
5.875% £750 million due 2041	**740**	740
3.500% A$125 million due 2041	**65**	67
2.926% £55 million due 2043	**54**	54
4.625% £750 million due 2046	**743**	742
4.702% £60 million due 2047	**60**	60
1.372%+RPI £75 million due 2049	**115**	113
2.750% £400 million due 2049	**393**	393
6.070% £70 million due 2056	**70**	70
6.070% £70 million due 2057	**70**	70
0.147%+RPI £160 million due 2058	**210**	206
Total bonds	**13,143**	13,265
Heathrow Airport Limited debt:		
Class A2 term loan due 2025	**-**	100
Class A3 term loan due 2029	**200**	200
Term notes due 2026-2054	**1,562**	1,362
Unsecured		
Debenture payable to Heathrow Finance plc due 2030	**2,609**	2,585
Total non-current	**17,514**	17,512
Total borrowings (excluding interest payable)	**17,887**	18,482

(1) This column is labelled audited as the amounts have been extracted from the company's audited financial statements for the year ended 31 December 2023.
(2) Further details on the Sustainability Performance Targets can be found in our Sustainability-Linked Bond Framework at the Heathrow Investor Centre website.

At 30 September 2024, SP Group consolidated nominal net debt was £14,633 million (31 December 2023: £14,795 million). It comprised £13,685 million (31 December 2023: £14,155 million) in bond issuances, £1,865 million (31 December 2023: £1,665 million) in other term debt, £795 million (31 December 2023: £807 million) in index-linked derivative accretion and £99 million (31 December 2023: £64 million) of additional lease liabilities post transition to IFRS 16. This was offset by £1,811 million (31 December 2023: £1,896 million) in qualifying cash and term deposits under the financing documentation. Nominal net debt comprised £12,571 million (31 December 2023: £12,607 million) in senior net debt and £2,062 million (31 December 2023: £2,188 million) in junior debt.

At 30 September 2024, the carrying value of non-current borrowings due after more than 5 years was £11,520 million (31 December 2023: £11,268 million), comprising £10,058 million (31 December 2023: £9,806 million) of bonds and £1,462 million (31 December 2023: £1,462 million) in bank facilities, excluding lease liabilities.

APPENDIX 2 FINANCIAL INFORMATION HEATHROW (SP) LIMITED

Notes to the condensed consolidated financial statements for the nine months ended 30 September 2024

5. BORROWINGS *CONTINUED*

Impact of fair value hedge adjustments

The nominal value of debt designated in fair value hedge relationship was €2,050 million, C$620 million, CHF210 million, A$175 million, JPY10,000 million and NOK2,000 million. Where debt qualifies for fair value hedge accounting, hedged item adjustments have been applied as follows:

	Unaudited 30 September 2024		Audited[1] 31 December 2023	
	Nominal[2] £m	**Fair value adjustment[3] £m**	Nominal[2] £m	Fair value adjustment[3] £m
Euro denominated debt	**1,682**	**81**	1,682	106
CAD denominated debt	**337**	**3**	337	11
Other currencies debt	**502**	**26**	779	37
Designated in fair value hedge	**2,521**	**110**	2,798	154

(1) This column is labelled audited as the amounts have been extracted from the company's audited financial statements for the year ended 31 December 2023.
(2) Nominal values are based on initial FX rates at time of hedge designation.
(3) Fair value adjustment is comprised of fair value gain of £114 million (31 December 2023: £159 million) on continuing hedges and £4 million loss (31 December 2023: £5 million) on discontinued hedges.

6. CASH GENERATED FROM OPERATIONS

	Unaudited Nine months ended 30 September 2024 £m	Unaudited Nine months ended 30 September 2023 £m
Profit before tax	**696**	618
Adjustments for:		
Net finance costs	**475**	726
Depreciation	**444**	491
Amortisation on intangibles	**29**	33
Amortisation on right of use assets	**30**	31
Fair value gain on investment properties	**(138)**	(198)
Working capital changes[1]:		
Decrease/(increase) in inventories and trade and other receivables	**23**	(53)
Decrease in trade and other payables	**(44)**	(104)
Increase in provisions	**-**	1
Difference between pension charge and cash contributions	**(5)**	(5)
Cash generated from operations	**1,510**	1,540

(1) For the nine months ended 30 September 2023, changes in working capital include intercompany payments of £95 million made by Heathrow Airport Limited to fund scheduled interest payments on external debt held at Heathrow Finance plc and ADI Finance 2 Limited.

GLOSSARY

Air Transport Movement 'ATM' – means a flight carried out for commercial purposes and includes scheduled flights operating according to a published timetable, charter flights, cargo flights but it does not include empty positioning flights, and private non-commercial flights.

Airport Service Quality 'ASQ' – quarterly Airport Service Quality surveys directed by Airports Council International (ACI). Survey scores range from 1 up to 5.

Baggage connection – numbers of bags connected per 1,000 passengers.

Category B Costs – Capital expenditure related to the consent process for Expansion.

Connections satisfaction – Measures how satisfied passengers are with their connections journey via our in-house satisfaction tracker – QSM Connections. Throughout the year there are 14,000 face-to-face interviews across all terminals where transfer passengers rate their satisfaction with their Connections experience on a scale of one to five, where one is 'extremely poor' and five is 'excellent'.

Departure punctuality – percentage of flights departing within 15 minutes of schedule.

Early Category C Costs – Capital expenditure related to the early design and construction costs for Expansion.

Gearing ratios – under the Group's financing agreements are calculated by dividing consolidated nominal net debt by Heathrow' Regulatory Asset Base ('RAB') value.

Interest Cover Ratio 'ICR' – is trigger event and covenant at Class A, trigger event at Class B and financial covenant at Heathrow Finance; Class A ICR trigger ratio is 1.40x; Class A ICR covenant is 1.05x and is calculated as a 3-year trailing average, Class B ICR trigger ratio is 1.20x, Heathrow Finance ICR covenant is 1.00x.

Lost Time Injury - Lost time injuries are injuries sustained by colleagues whilst conducting work related duties, resulting in absence from work for at least a day. The measure is calculated as a moving annual frequency rate of the number of incidents in the last 12 months per 100,000 working hours.

NERL – National Air Traffic Services is split into two main service provision companies, one if which is NATS En-Route PLC (NERL). NERL is the sole provider of civilian en-route air traffic control over the UK.

Net-zero carbon – Residual carbon emissions are offset by an equal volume of carbon removals.

Regulatory asset ratio 'RAR' – is trigger event and covenant event at Class A, trigger event at Class B and financial covenant at Heathrow Finance; Class A RAR trigger ratio is 72.5% and covenant level is 92.5%; two Class B triggers apply: at Heathrow Finance it is 82.0% and at Heathrow (SP) Limited it is 85.0%; Heathrow Finance RAR covenant is 92.5%.

Restricted payments – The financing arrangements of the Group and Heathrow Finance plc ("Heathrow Finance") restrict certain payments unless specified conditions are satisfied. These restricted payments include, among other things, payments of dividends, distributions and other returns on share capital, any redemptions or repurchases of share capital, and payments of fees, interest or principal on any intercompany loans.

Security queuing - % of security waiting time measured under 5 minutes, based on 15-minute time period measured.